

## Message Text

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20

ACTION EUR-25

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 NIC-01 SAJ-01 AGR-20 L-03 H-03 SCI-06 INT-08

IO-14 PM-07 DODE-00 PA-04 USIA-15 PRS-01 DRC-01 /226 W

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R 080455Z JAN 74

FM AMEMBASSY WARSAW

TO SECSTATE WASHDC 7159

INFO AMEMBASSY BELGRADE

USMISSION BERLIN

AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

USMISSION NATO BRUSSELS

AMCONSUL POZNAN

C O N F I D E N T I A L WARSAW 0080

E.O. 11652: GDS

TAGS: PFOR, PL, US

SUBJECT: US-POLISH RELATIONS: YEAR-END ASSESSMENT:  
TRADE AND ECONOMIC RELATIONS

REF: WARSAW 0070

1. US EXPORTS THROUGH SEPTEMBER 1973 WERE ALMOST  
FOUR TIME THOSE OF THE SAME PERIOD IN 1972, MAKING  
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OUR SALES TO POLAND LARGER THAN THE TOTAL OF THOSE TO

ALL THE OTHER EASTERN EUROPEAN COUNTRIES, EXCLUDING THE USSR. TOTAL BILATERAL TRADE IN 1973 SHOULD COME CLOSE TO \$500 MILLION, WITH AN ANTICIPATED US SURPLUS OF SOME \$200 MILLION, OUR FIRST WITH POLAND SINCE 1965.

2. BILATERAL TRADE AND ECONOMIC RELATIONS HAVE ALSO CHANGED SIGNIFICANTLY IN QUALITATIVE TERMS, WHILE EXPORTS OF AGRICULTURAL COMMODITIES STILL BULK LARGE.\* US COMPANIES BEGAN TO MAKE LARGE SALES OF MACHINERY AND EQUIPMENT, INCLUDING COMPLETE PLANTS. EXPORT-IMPORT BANK FINANCING MADE THE DECISIVE DIFFERENCE IN 1973 FOR US FIRMS IN GAINING MAJOR EQUIPMENT SALES CONTRACTS OF THE SORT THEY SIMPLY WERE NOT IN COMPETITION FOR BEFORE. AS OF NOW, CONTRACTS WITH A TOTAL US EXPORT VALUE OF \$158 MILLION WERE CONCLUDED WITH THE AID OF EX-IM CREDITS, AND 93 MILLION WORTH\*\*WAIT FINAL APPROVAL.

3. RESPONDING TO POLAND'S GROWING INTEREST IN ESTABLISHING COMPREHENSIVE LONG-TERM RELATIONSHIPS WITH WESTERN INDUSTRY FIVE US FIRMS HAVE NOW CONCLUDED TEN-YEAR INDUSTRIAL COOPERATION AGREEMENTS WITH POLISH MANUFACTURING ENTERPRISES AND OTHERS ARE UNDER NEGOTIATION. SIX MAJOR US FIRMS WERE GRANTED AUTHORITY THIS YEAR TO OPEN OFFICES IN WARSAW WHERE BEFORE THERE WAS NONE. THE US-POLISH TAX CONVENTION, TO BE SIGNED IN EARLY 1974, WILL BENEFIT THESE SIX FIRMS AND SHOULD ENCOURAGE OTHERS TO DEVELOP PERMANENT ESTABLISHMENTS HERE.

4. POLISH GOVERNMENTAL AND INDUSTRIAL AUTHORITIES HAVE ALSO ENCOURAGED AMERICAN COMPANIES TO SUBMIT PROPOSALS FOR EQUITY INVESTMENT IN POLAND, ALTHOUGH POLISH REGULATIONS ESTABLISHING A LEGAL FRAMEWORK FOR THE CREATION OF MIXED-CAPITAL COMPANIES IN POLAND HAVE NOT YET BEEN PUBLISHED. AT LEAST ONE US COMPANY HAS SUBMITTED A WRITTEN PROPOSAL, AND SEVERAL OTHER FIRMS ARE WELL ALONG IN ORAL DISCUSSIONS WITH POTENTIAL POLISH PARTNERS. BY OPENING THE ECONOMY TO WESTERN INVESTMENT, POLAND COULD GAIN NOT ONLY CAPITAL BUT, MORE IMPORTANTLY, ACCESS TO PROPRIETARY TECHNOLOGY MORE ADVANCED THAN THAT WHICH WESTERN FIRMS ARE WILLING TO SELL OR LICENSE. IN ADDITION, POLISH MANAGERS IN

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A JOINT ENTERPRISE WOULD HAVE PROLONGED EXPOSURE TO WESTERN MANAGEMENT AND MARKETING TECHNIQUES.

5. ALTHOUGH THE ADVANTAGES OF WESTERN INVESTMENT IN POLAND ARE RECOGNIZED BY POLISH ECONOMIC OFFICIALS, ACCEPTANCE OF JOINT VENTURES WITH WESTERN FIRMS STILL PRESENTS CERTAIN POLITICAL AND IDEOLOGICAL DIFFICULTIES. THE POLISH ATTITUDE IS ONE OF CAUTION AND HESITATION.

NONETHELESS, PRESUMING PUBLICATION OF THE POLISH  
REGULATION IN EARLY 1974, IT IS POSSIBLE THAT THE FIRST  
US-POLISH EQUITY JOINT VENTURE COULD BE INAUGURATED  
THIS YEAR.  
DAVIES

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